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Financial Education

New, more or better financial education and financial literacy programmes should lead to improved financial capability, knowledge and outcomes. Yet we do not even know which terminology is most suitable for those projects who all intend to give an answer to a question which is less than clear.
What is meant by the term “financial education”? Why did the “demand” for financial education suddenly increase? Have the numerous tasks which consumers in a modern society have to fulfill created this new field for financial education? Are their specific needs of financial markets which need adapted consumers as competent players? Or has the general level of education fallen? Would more ignorance on financial products perhaps increase the likelihood of these markets to care more about consumers? Do we truly need financial education at all and if so, as this article argues, what kind of financial education would respond to it? Based on five years of empirical research, on existing papers and curriculars for financial education and another five years of our own experiences with practical financial education in schools and with clients of debt advice agencies we would like to promote financial education as a form of consumer protection where consumers are seen collectively as the true masters of the economy.

Key Words
General financial education, financial literacy, financial education, financial capability, participatory education, school education, economics

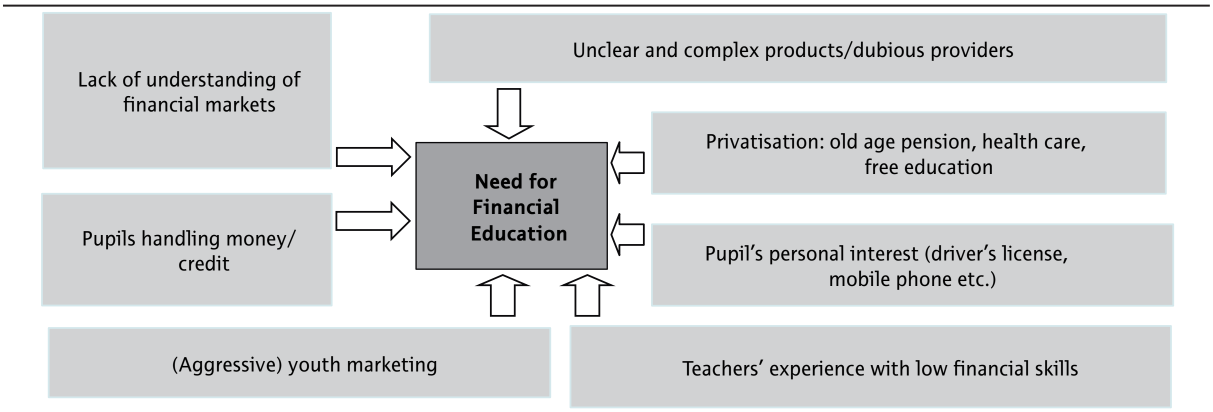
Introduction
Financial services are both necessary to consumers and dangerous for them. Financial education can be seen as part of consumer protection, mitigating the risks created by financial services and promoting their productive use. But financial education is also seen as a solution to other problems, including poorly functioning markets and the requirement that financial service suppliers provide product information. This article will illustrate an approach to financial education, currently underway in many German schools, that situates it as part of the quest for improved consumer protection. Instead of adapting consumer knowledge and behaviour to the needs of financial markets, our approach strives to build up the participatory competence of consumers.

Section I motivates the increased need for financial education in contemporary societies and distinguishes between economic and financial education. Section II describes the multiplicity of practical approaches to financial education while Section III describes the consumer-centred approach underlying the iff school projects.

1. Financial Needs of Consumers
For a long time now, consumers have needed credit to finance major investments in mobility (cars), household formation (furniture and electric appliances) and education (student fees). More recently, the privatization of social programs (e.g., retirement pensions) and the stretching of family bonds (e.g., divorce rates) have forced individual consumers to bear greater responsibility for financing of their own futures. Even poverty in a credit-oriented society is related to access to financial services because credit gives the poor access to funds that can help them escape their present condition. The use of financial services by private households has therefore become one of the conditions for taking part in social life.

It is essential that education measure up to this state of affairs, providing skills that support the economic life of the household and enabling people to take advantage of the opportunities that present themselves.

Fig. 1



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1.1 Financial behaviour of consumers

With this in mind, we can distinguish between financial education and traditional economic education. Economic education promotes the general understanding of macroeconomic and microeconomic principles, many of which lie far beyond the requisites of daily life. Financial education, on the other hand, has a strong instrumental attitude, seeking to address the practical needs of individual citizens. Starting from the needs of individual citizens, it tries to enable them to use financial services in a way which suits their needs. Personal needs are thus related to the opportunities that the market economy provides to each individual. Financial education is focused on the instruments that enable private households to use their income more productively in time and space. While economic education usually starts with the abstractions of labour, property, industry and capital, financial education has to start with money. More and more, money gives access to what is needed – education, mobility, retirement income – in individual economic lives. Access to money and its productive use is therefore the key question in financial education (Reifner 2010, 77 ff.).

Financial education is a complement to traditional economic education, not a substitute, just as learning to drive is a complement but not a substitute for understanding of how cars work and what they do to our environment and mobility.

Financial education is therefore the addition of financial competence to the goals of economic education. Much of the current discussions around economic education in Germany and North-America[1] revolve around exactly this issue: including financial knowledge, financial literacy and financial capability as goals for economic education. (Piorkowsky 2008, 29-31; Reifner 2003a; Reifner 2003b; Eggert et al. 2005; Kaiser, Kaminski 1999; Kaminski et al. 2008; Schlegel-Matthies 2006).

What are the goals of financial education? We can distinguish between financial knowledge, financial literacy and financial capability. Financial knowledge is "… what people must know in order to make important financial decisions in their own best interest".[2] In a report to the Canadian federal government's Policy Research Institute, Social and Enterprise Development Initiatives (SEDI) defines financial literacy involving: (1) objective knowledge of financial concepts that affect personal well-being; and (2) subjective confidence in the ability to make financial decisions (SEDI 2004, 6). SEDI then goes on to define financial capability as "financial literacy plus responsible and informed behaviour." (Cited in Schwartz 2010, 5f.)

The OECD definition of financial education (OECD 2005, 21) also understands its goal as financial capability, defining financial education as "the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being."

1.2 Financial behaviour of suppliers

The above definitions, however, fail to incorporate the critical attitude towards the financial system which economic education would require. That is, they simply teach "the rules of the road", assuming that there is a fixed and unalienable set of rules, facts and procedures which can be learned in order to achieve the goal. However, in the same way that a critical understanding of the role of the automobile in contemporary society differs from knowing how to drive, we believe that financial education is far broader than the "rules of the road" and should include a critical perspective on the role of financial services in contemporary society. For example, we believe that it is not the consumer who should adapt to the financial system but the financial system that should adapt to consumer needs. Students should not be educated only to adapt to existing circumstances but also to critically reflect, co-create and change them. In order to do so they need to have some financial knowledge – the "rules of the road" – but the key objective should be the development of the competence to analyze one's own situation and to develop an ability to use that analysis to assess and promote existing alternatives.

For that reason, our definition of financial education (Reifner 2003b, 12) contains some critical elements: "Financial education provides such knowledge, understanding and social competence for a critical evaluation of financial services … based on credit opportunities and respond adequately to human needs to allocate own income during lifetime there and then

1 The annual conference of the German Society for economic education (DGÖB) on March, 2, 2010 in Weingarten was dedicated to the issue of "Financial Competence and economic consumer education". The lecture covered "Financial education" (by the author) "Financial Literacy and Diagnostics" (Engartner, T./ Loerwald, D./Retzmann, T.); "Financial Education of Teachers" (Becker, M./Macha, K./Schuhen, M.); "From budgeting to entrepreneurship in one's own affairs" (Heine, G.); "Competence requirements for consumers in the market economy" (Seeber, G./Birke, F.); "Financial Competence of young people" (Lackmann, J.); "The financial crisis as a challenge to financial education" (Remmele, B.); "Good Practice – bad practice in financial education" (Piorkowsky, M. B.); Financial Education (Wiepcke, C.). (The proceedings of the conference will be published by DGOEB in 2010).

2 The quotation is from Mandell (2006) p. 2). Mandell, however, calls this financial literacy rather than financial knowledge. See also Cole, Shastry 2009.

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where outside their labour relations sustainable consumption is required."

Words like "social competence", "human needs" and "sustainability" imply that financial education cannot limit itself to informing students about products that do not even pretend to meet these requirements. Those learning about the system should realize that they are its masters and teachers.

The present financial crisis has made it clear that the weak can be harmed by some financial products. Financial service providers deliberately seem to provide inadequate, indeed increasingly opaque, products. To adapt a phrase of Adam Smith, we can say that "it is not from the benevolence of the banker, the insurer or other financial suppliers that we can expect responsible credit and sustainable investments of our money but from their regard to their own interest." What consumers need is not merely to understand the financial services available to them but how to develop or change them. Through the process of selection from the available products and through the process of making complaints, consumers can exercise pressure on providers and show them how their needs should be met.

Unlike Adam Smith's "baker, brewer and butcher" it is clear that the market in financial services is particularly inclined to generating deceptive and usurious products. Financial services are quite abstract and their lack of concreteness makes it possible for suppliers to mix up goods and payment, and capital and interest, to the point that customers are barely able to tell whether they have received less or paid more. This is why the legal system has been especially active in regulating the money system.

Legislation and extensive judicial precedent in the area of consumer law have recognized that market forces cannot fully safeguard the interests of consumers of financial services. The market is therefore supplemented by legal restrictions and structures which people must activate competently and confidently through complaints and legal proceedings. Financial education has therefore an important dimension beyond that of financial capability as it was defined in the last section.

One could even argue that it is the providers of financial services who are most in need of financial education as we define it. They should learn about the needs of human beings and about social situations that can make seemingly reasonable products destructive for individuals. The devastation wrought by the subprime mortgage crisis was destructive for the whole of society.

This need for mutual learning in financial education is especially visible in matters of credit and debt. Simple consumer credit relations show how irresponsible or inadequate credit provision can lead to the destruction of productive individual household economies. Here, law and justice are part of the message that consumers can convey to the supply side of the financial services market.

1.3 Further differences between financial and economic education

Economic education can be given two quite different meanings. First, economic education is about a sector which is called "the economy", comprising finance, trade and production units. This definition does not introduce a special purpose or require normative assumptions. Any collective system of production, distribution and consumption can be incorporated under this heading.

But the word "economic" has also a normative meaning in the form of "economic behaviour". This goes back to the roots of the word where oíkos refers to a "home" and νόμος nomos to "rule". This meaning is still visible in German language where a pub is called a "Wirtschaft" (economy). Thus, economic education can also refer to the tradition of good housekeeping which requires cost-efficient production. The French word "économiser" means "to save" and in English we often identify economic behaviour with a behaviour where a maximum of resources can be saved. This coincides with those forms of financial education which we consider to be budget education. Learning how to save is a core element of this form of economic education and dominates, for example, the Japanese idea of financial education as well as the vast programs of the German savings banks association. Cost effectiveness and savings are also valid goals for professional education since the professional use of the economy under market conditions requires production and services at minimal cost.

Financial education for consumers is different in three aspects. First, it is focused only on one sector of the economy: financial services. Second, it does not promote the understanding of all facets of the financial sector but only those that facilitate its use for consumer needs. Third, the role of savings at the individual level is different to the role of savings in macroeconomic models; financial education deals with the former far more than the latter.

First, it may of course be helpful to know everything about banking and finance and their links to other sectors of the economy. But in financial education, this is not the aim necessarily.

Second, knowledge has to be justified with regard to consumers' interest in using financial services for personal consumption goals. People do not want to listen to lengthy explanations of how airplanes fly if such knowledge is not necessary to get where they want to go. But they may be concerned with its risks which leads them to questions which go far beyond a narrow instrumental view. One can even argue that in the last resort an instrumental view onto the economy is the only correct way of its understanding since

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it leads to needs orientation in the sense of Armatya Sen and others. Some of our projects on financial education with pupils in secondary schools therefore discuss "banks" but do not use terms like "credit" or "bank account". Using examples from their daily life with school-mates or parents, pupil learn how to cope with time problems (borrowing, renting), risks (risk sharing) and cooperation (exchange, money). In this context knowledge about "the economy" is therefore less important than the ability to manage time, risk and cooperation. We relate these matters to existing financial products at a later stage of the project. As part of the project, students have to go to the bank to ask the banker what kind of solutions he or she are able to offer for what they think is needed to solve the problems the students have been set.

Third, whether saving is good or bad for an individual is different than whether savings is good or bad for the economy as a whole. The value of individual savings depends on the person's actual situation, interests and needs, which are related to their societal and familial context. Consumers learn from their politicians, however, that spending is good for the economy. Even borrowing for the purpose of consumption is sometimes promoted as a support for the general good of the national economy. To be generous or even extravagant when, for example, hosting guests or caring for one's own children or partner is part of ancient cultural values. Acting at minimal cost is therefore not necessarily a good thing. Modern home economics who reduce their economic insights to market and money economy may in this respect have a perspective which sociologists and historians may see as far too narrow. From a cultural and democratic standpoint students should not be forced to adopt such an attitude but be able to decide on their own whether under their special conditions and with regard to their special needs saving is good.

Financial education is therefore either different from traditional economic education or part of a much broader understanding of it where needs orientation including different preferences than maximising eocnomic wealth have their place.

2. Needs for Consumer Education

Educational programs typically have multiple objectives. In primary school, children learn reading, writing and arithmetic but also are expected to be taught the values of the society in which they live. Similarly, the many projects and declarations promoting financial education – e.g. from the Worldbank (Jones 1997; Holzmann 2007)[3], the OECD (OECD 2003/2004; OECD 2005), the EU-Commission (Kosicki 2008), German Netzwerk Finanzkompetenz (2010) or by the General Directorate Social Policy at the European Commission[4] – have multiple objectives. Indeed, they often only share certain words in their titles and differ fundamentally in most other ways.

Some see financial education as a way to make the market mechanism more effective. For them, financial education is a way to strengthen consumers' confidence into the market, to enhance their ability to make competent choices and to promote self-confident behaviour. The present financial crisis with its erosion of confidence, especially in the banking system, has created hopes that profounder "understanding" of banking mechanisms through financial education could render bankers' behaviour also more "understandable" and thus more "acceptable".

Producers of financial goods and services wish for sophisticated consumers who are able to understand the products on offer. Such financial knowledge would facilitate the marketing of financial products and ease the burden of explaining these increasingly complex products.

Rising loan default rates and the increasing number of consumer insolvencies burden financial markets and undermine the market for securities. Better financial education could help consumers to maintain payments and avoid overindebtedness. Emphasizing the need for more saving, stronger financial discipline and improved record-keeping skills is seen as necessary.

Consumer organisations see the hand of financial markets in the limited effectiveness of consumer law and are funded by their efforts to enforce consumer law through legal action and complaints by consumers. Knowledge about such legal rights and about how to defend them, together with negotiating skills, prudent behaviour and self-confidence could improve the level of general consumer protection and promote minimum quality standards for financial products.

Because of the multiplicity of objectives that sponsors believe financial education can achieve, it is advisable to forego any concept of financial education that suggests a single unified format. It would be better to differentiate between: (a) the provision of information about financial products and services (financial literacy); (b) household budgeting; (c) the encouragement of saving; and (d) consumer-oriented financial education.

The following sections give some examples on existing projects which regard themselves as financial education programs but which serve additional goals that can not primarily be attributed to financial education as described above.

3 See the 15 Mio. $ "The Russia Financial Literacy Trust Fund". a co-operative project between Worldbank, OECD and the Russian Federation: (http://www.worldbank.org).

4 See European Database for Financial Education: http://ec.europa.eu/internal_market/finservices-retail/capability/index_en.htm.

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2.1 Social Security Administration and Education for Pensions

The worldwide trend towards the introduction of private pension schemes (Holzmann, Stiglitz 2001; OECD 2008) has demonstrated that simply cutting back state pensions fails to generate the incentives required to induce greater savings by people who are particularly at risk of poverty in their old age. In Germany, a broad coalition of German education, government, and labour market institutions therefore intends to roll out financial education, delivering courses at more than 500 institutions of adult education across Germany (2010).[5] However, the dominant role played by German public security in this project, providing money and teachers, results in a bias towards state pensions and their justification. With a focus on questions like "how much state pension can you expect?", "how does the state support additional private and employers' contributions?", the project seeks to rationalize a compulsory system that functions quite independently of consumer's decisions. It provides political legitimacy and understanding but does not belong to a needs-based consumer education. While these projects promote public pension systems more than private ones, the Bundesverband der Investmentbranche (German federal association for investment companies) has offered educational programs to promote private retirement pension schemes, especially those products it supports itself (2010)[6].

2.2 Welfare Organisations to prevent over-indebtedness

The motivation for many financial education programs arises from the growing concern about the over-indebtedness of private households. Survey evidence – iff-Überschuldungsreport 2009; SCHUFA-Schuldenkompass 2009 – reveals, however, that over-indebtedness is less of an educational problem than a consequence of the increasing instability of income and increased expenditures for formerly free public services, both of which increase the need for credit among cash-poor households. A relatively rigid and cost-intensive credit system (especially for high-risk consumers, who disproportionately rely on payday loans, credit card credit and overdraft protection) makes it more difficult to cope with the increased burden of debt. Data from debt advice organisations suggest that consumer behaviour that might be modified by financial education (such as overspending or irresponsible borrowing) accounts for only about 15% of the cases of over-indebtedness (Knobloch, Reifner 2009). Even within that 15%, it is mostly not the credit as such but a certain additional amount which should have been avoided. evaded. Yet the political debate focuses primarily on educational schemes that emphasize the deficiencies of borrowers (and especially young borrowers) (Reifner 2006) while the irresponsbile behaviour of credit providers with regard to price, design, servicing and debt collection is downplayed. For example, little effort is made to identify what proportion of consumer debt arose from fees, premiums, interest and refinancing charges.

On the other hand, research studies have shown that the behaviour of consumers in times of financial difficulty, when combined with legally and morally dubious offers of "help" by financial service providers or debt consolidation providers, contribute to making the crisis more acute and harder to resolve. Debtors with more ability to communicate with the supplier side in a self-confident manner would certainly be able to ameliorate their situation.

But here we face the problem of distinguishing between economic and financial education. Most of financial education projects promote saving as the best way to escape overindebtedness. But this way is neither theoretically nor empirically viable for low-income households who, because they cannot save, can help themselves only by using credit. Economic education would promote some forms of borrowing (e.g., student loans) as the way to escape poverty. The financial education programs may confuse being in debt with over-indebtedness. Because loans lead to debts, it is easy to reach the erroneous conclusion that overindebtedness is a direct consequence of indebtedness. Thus credit becomes the reason for overindebtedness which can be "cured" by its seeming counterpart: savings.

Instead, access to (affordable) credit, or "financial inclusion" (Basingstoke, Kempson 2006; Byrne, McCarthy, Ward 2005; Carbo, Gardener, Molyneux 2005), can be seen as the true cornerstone of the prevention of over-indebtedness and poverty. The problem, according to these writers, is not one of indebtedness but of liquidity. But those who propagate a return to savings see the unease with progress to a money society, comparable with the conservative movements against the advent of industrial production (the Luddites), of computers as job-killers, as related to an inappropriate concern about the new phenomenon of financial poverty: "If this person had not taken out the (bank) loan, they would have avoided over-indebtedness."

5 Altersvorsorge macht Schule! (Pensions go to school): http://www.altersvorsorge-macht-schule.de. The coalition consists of Deutsche Rentenversicherung (German Social Security), the Deutschen Volkshochschul-Verband (German association of secondary schools), the Verbraucherzentrale Bundesverband (association of consumer associations), the Deutscher Gewerkschaftsbund (German trade union congress), the Bundesvereinigung der Deutschen Arbeitgeberverbände (German employers' association), the Bundesministerien für Arbeit und Soziales, für Finanzen, für Ernährung, Landwirtschaft and Verbraucherschutz (German federal ministries for employment, communities, finance, food, agriculture and consumer protection) and the Bundespresseamt (German federal press office).

6 Hoch im Kurs. (High Yield): http://www.bvi.de/de/ausbildung/schule/index.html.

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Examples are projects like "Bank und Jugend im Dialog"[7] ("Banks and young people in dialogue") in Krefeld, or "Cash for Kids" led by Munich based Debt-Preventgroup "Cashless"[8] (2010), or the „Financial driver's licence"[9] run by the Association for Debt Relieve Essen (2010), "Kids und Knete"[10] ("Kids and dough") in Aachen. They focus on subjective conditions for the use of money and their contents are critical of credit take-up.

Also some consumer advice organisations engage in a savings philosophy in both schools and adult education. (Consumer Central North Rhine Westphalia (2010): "Das Schuldenkarussell" ("The debt merry-goround")); Hesse (2010): "Jugend und Geld"[11] ("Youth and money"); German Association of Consumer Centrals (2010): "Zukunftswerkstatt Schuldenprävention"[12] ("Future workplace debt prevention"), "Umgang mit Geld" ("Using money").

2.3 Banks to comply with Corporate Social Responsibility

Consumer protection and, in turn, consumer education play an important part in the CSR principles drawn up by the OECD. Those principles require banks to invest in financial education in order to further public goals in private enterprise.

Commerzbank placed investment products at the heart of its Kanon der Finanziellen Allgemeinbildung [canon of financial education] (Reifner 2007; 2003b) In its latest version, however, they focus more on payment devices and credit from a user perspective. Conversely, the Deutsche Sparkassen und Giroverband, as well as a number of savings bank foundations, feel committed to savings and highlight how saving and thrift can be reconciled with modern approaches to investment. Saving and thrift are seen in terms of sums of money influenced by the prospect of earnings in the form of interest, and by the level of risk.

The Deutsche Bank Foundation produced a brochure for schoolchildren in collaboration with the Institut für ökonomische Bildung (Institute for economic education) at the University of Oldenburg and the German newspaper Handelsblatt (Kaminski et al. 2004). The brochure was written in the general tradition of economics, but with an emphasis on finance. Now the biggest European insurer Allianz as well as the German Investment Fund Federation have started similar initiatives where bankers go into schools to offer general information about banking and finance. In Great Britain, financial education has been allocated to the Financial Services Agency (FSA), a governmental body. In the USA, even though a financial education adviser has even been appointed to the President's office, financial education is largely organized by private firms and organizations. In organizing the Jump$tart Coalition, US financial service providers and other businesses have got together in adopting the more general approach of explaining the overall functions of financial service products. In France, the banks have established a Financial Education Institute.[13] In terms of the prevention of over-indebtedness, the emphasis of banking supervision differs from that of the banks. But in all it resembles a general economic education which understands economics as a sector of society necessary to understand for each consumer.

2.4 Consumer Organisations to promote consumer rights

Users of financial services have legal rights and claims to the provision of high-quality financial services adapted to their needs at appropriate prices. Some models of financial education, especially that of the German association of consumer organisations (vzbv) therefore take a legal approach, arguing that especially in the difficult area of financial services, consumers need to mobilise their rights. Economic understanding is derived from a legal understanding.

This approach takes into account that according to financial legislation as led down for example in Art. 11 (1) Directive 93/22/EEC the provider of financial servcices is responsible for good advice and has to "seek from its clients information regarding their financial situations, investment experience and objectives as regards the services requested, and makes adequate disclosure of relevant material information in its dealings with its clients…". According to the German transposition of this Directive in Art. 31 Law on Investment Services (WpHG) it is their duty to "provide customers with information in a timely manner and in an understandable form, and that such information be designed to enable customers to develop an understanding based on a reasonable evaluation of the type of financial instruments offered to them or requested by them, and of the risks involved… , and thereby reach their decisions."

Such explanations appropriate to the product and to the costumers individual situation have to be demanded by the customer. Financial education by the state would instead shift the cost of necessary market information to the state or to the consumer. This could encourage suppliers to develop ever more dan-

7 Bank und Jugend im Dialog (Bank and Youth dialogue): http://www.bankundjugendimdialog.de/.
8 cashless http://www.cashless-muenchen.de/.
9 Financial driver's licence http://www.schuldnerhilfe.de/finanzfuehrerschein/.
10 Kids und Knete (kids and money) http://www.kidsundknete.de/.
11 Jugend und Geld (Youth and Money) http://lernarchiv.bildung.hessen.de/sek_i/powi/themen/wirtschaft/geld/jugend_geld/index.html.
12 Zukunftswerkstatt Schuldenprävention (Future Ateklier Prevention of Debts) http://www.verbraucherbildung.de/projekt01/media/pdf/Schuldenpraevention.pdf.
13 http://blog.lafinancepourtous.com.

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gerous, complex and inadequate products without regard to consumer interests. Since education is certainly less costly than individual advice the shift towards abstract information via Internet could thus be accelerated to the detriment of consumer protection.

This approach also refers to the two elements of justice which require not only equal justice (iustitia commutativa) but also more social distributive justice which especially overindebted people need to cope with a situation in which individual decisions on their side provide little prospects for escaping their fate. (Veith 1993) In the new 2002 reform of the German Civil Code creditors are now obliged to "have regard to the rights, legal protections and legal interests of the other party" (§241 para.2 German Civil Code).[14]

3. The *iff* school projects

For iff, financial education is a crucial component of consumer protection, integrating an instrumental approach to the use of financial services with an emphasis on the legal rights of consumers. Instrumentally, consumers learn to identify and meet their financial needs; for example, the need to save while working in order to live well in retirement is explained along with methods for accomplishing that task. More generally, however, consumers learn about the legal rights that compensate for the weakness of human needs in a market economy and that enforce public rules in a private economy. This more general approach is critical of the market for financial services. Consumers learn to ask questions and to demand answers; it is they who are sovereign, defining what is appropriate, adequate and useful. In societies where the roles once played by the welfare state must now come to be integrated into each economic transaction in society, the iff approach asks for more democratic pressure from consumers, without regard to their financial ability or economic power.

After gradually developing this notion of consumer-oriented financial education (Reifner 2003a; 2006; 2007; 2010), iff put it into practice with two programs "Schülerbanking" ("pupils' banking") and "Wissen rechnet sich" ("knowledge pays").

All materials associated with the projects are available to the teachers, schools and banks who participate in the projects and subscribe to its pedagogical principles, as described in this paper. Banks play an active role in the projects by providing financial advice (in response to hypothetical problems presented by students) and a physical location for some of the project activities. Schools support the program with their pedagogical resources. Finally, iff, as an external research institute, is responsible for the consumer-oriented content and for the training of the teachers and bankers participating in the projects.

3.1 SchülerBanking

The SchülerBanking project has been working with Hamburg schoolchildren, aged 14 to 17, since 2005. In designing and implementing SchülerBanking, iff worked both with the Hamburg education authority and with the Hamburg Savings Bank (Haspa), the largest Hamburg-based bank. After its successful implementation in Hamburg, the project expanded to other regions of Germany, in association with other Sparkassen (savings banks) in the states of Baden-Wurttemberg, Lower Saxony and North Rhine Westphalia. In the 2009/2010 school year, about 5,700 schoolchildren participated in this project.

"Wissen rechnet sich", the second iff financial education program, in cooperation with Deutsche Bank and Hertie Foundation. It targets younger schoolchildren in primary schools in the "Starke Schule" ("strong school") network across Germany.[15] Whereas SchülerBanking, as described below, incorporates actual financial service products into its curriculum, "Wissen rechnet sich" attempts to identify basic functions and aspects of financial services relevant to everyday life. It started autumn 2008 and is now in its second year of use within the "Starke Schule" network.

In the remainder of this section, we focus only on SchülerBanking. Four components characterize SchülerBanking: (1) the nature of what is to be learned, using case studies on carefully chosen topics; (2) the involvement of the "Bank" as a physical location where learning takes place; (3) the goal of teaching participatory competence (as defined below) in addition to facts about financial products; and (4) the focus on mutual learning, with the "Bank" learning along with the students.

3.2 Case Studies on Carefully Chosen Topics

The project relies heavily on age-appropriate case studies. In order to facilitate transfer into everyday life, the cases are oriented towards everyday situations that students might soon encounter. Students can therefore identify with the problem at hand and can develop their own ideas about how to resolve the problem. Both the problem and the proposed solution are then presented to a banker during an interview on bank premises.

The children thus learn to interact with bank advisers on an equal footing, even in (simulated) situations of financial difficulty. They come to understand, for example, the potential consequences of overindebtedness and the advantages of independent advice. They learn that borrowing money has a price and that the price is related to time and risk factors. They also learn that banks can charge high fees if the terms of the credit agreement are not met.

14 see German constitutional court Neue Juristische Wochenschrift 1994, 2749, 2750.

15 The "strong school" network consists of schools that have been identified by Deutsche Banks as providers of high quality education.

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Each module within SchülerBanking is centered around one basic financial product and one specific situation in which the product has to be managed intelligently by the pupil. Examples include:

- current accounts in commercial banks;
- bank loans;
- pensions; and
- programs for dealing with financial difficulties.

New modules are constantly being developed in order to give teachers and schools wider choice. For example, a unit on financing future university studies is currently under development. Pupils learn to predict their future liquidity, to explore the University as a possible place to study and to learn how credit and savings, along with public subsidies, can help them to cope with its financial challenges.

The pension module focuses on retirement pensions and is a good example of how each of the modules is designed. Because few adults think about their own retirement until after they have started a family, it seems improbable that schoolchildren will be motivated to tackle this subject. For that reason, the module begins with a related, but simpler and more relevant, idea.

To create an analogue to the retirement savings decision, the students use a spreadsheet to work out the costs associated with an extended working vacation in Australia and consider the various options available to finance their trip. Fourteen year-old students, imagining a trip to be taken at age 19, will need to look for savings programs that will best help them make their trip. They therefore must do research on medium-term forms of investment on the Internet and at various banks. They then engage in advice sessions at the savings banks. The children come to see that there are phases in life in which they will not have enough money to meet their expenditure. They learn how to evaluate the risks and opportunities involved in investment products, how to apply their understanding of time, risk and capital, and how to take into account their personal circumstances and preferences in the selection of forms of investment.

In this way, the students become acquainted with the basic idea of a pension – providing income when earnings are insufficient to cover expenses – before pensions are addressed directly in the second phase of the module. In that second phase, the students question retired people about their circumstances. Examples are used to develop an understanding of the criteria for the choice among various types of pension schemes. The students learn to take into account their personal circumstances and life plans, inflation and changes in living costs, and the risks and opportunities involved in the various pension schemes.

3.3 Learning at the "Bank"

A basic premise of the projects is that bankers should not enter the schools but instead that the students should enter the banks. Their interaction with the banks allows students to rehearse the advice sessions that they might encounter later in life and to critically reflect on these sessions together in class. They learn to pose practical questions and to follow them up. They write reports that evaluate the advice they received at the Bank, thus providing feedback to the young bankers that the savings banks usually assign to the task.

In all modules the pupils compare the offers of different banks, speak about their experience and give their opinion on the adequacy of the offered solution. Teachers and iff take care that positive as well as negative critiques are voiced, always based on the presented facts. As an aside, the bank advisors learn that even critical assessments can work in their favour since parents who are Sparkasse clients showed their admiration for the openess and dedication of their bank.

All modules focus less on describing existing financial products and more on understanding the principles underlying choices among them. In that way, students come to see that financial services are not abstract products, and that they have in fact developed historically from social relations that were credit relations but not necessarily money relations. For example, a typical financial education program might discuss the terms of a mobile phone contract and perhaps the financial consequences of excessive use. Instead, iff compares mobile phone contracts to prepaid telephone cards in order to highlight the credit relationship, which involves uncertainty and cost, things which are unclear in advance. Understanding that a 1 € purchasing price for a telephone may be a false front for an expensive 24-month hire purchase agreement gives great insight into what credit is about.

The projects are evaluated constantly through surveys with all involved parties: bankers, pupils and teachers.

3.4 Achieving Competence

An underlying principle of iff's vision of financial education is that pupils must learn that the people are the masters of the economy, that consumers must understand the nature of their sovereignty. Consumers have to define what they need and exercise pressure on suppliers to meet those needs and to react properly when problems arise due to of the tension between the needs of the people and needs of the banks. For this, it is necessary but not sufficient to know about these frictions; the competence to participate actively in the economy is also required.

Knowledge alone does not lead to the development of participatory competence and self-confidence (Humboldt 2002, 5 ff.). Particular value is placed on enabling consumers to engage actively, on their own initiative, in the market economy, thereby articulating and furthering their own interests. Competence is therefore a matter of "being able to use the cognitive capacity or

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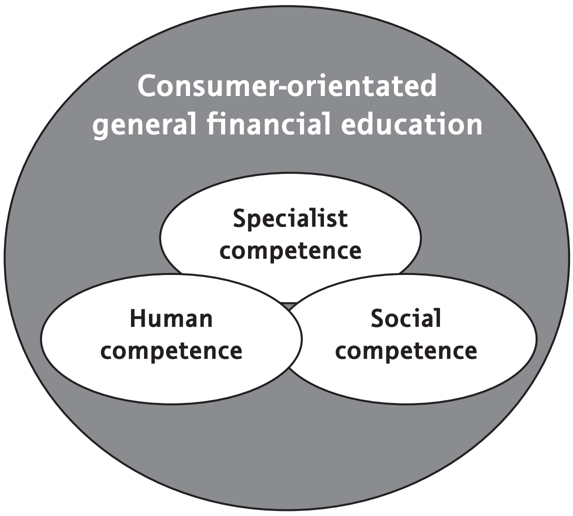
skills available to an individual, or which that individual may acquire, including the associated motivational, volitional and social capacities and skills, in order to solve specific problems, and to apply those solutions responsibly and effectively in a variety of situations“ (Weinert 2001, 27 f.). Competence in terms of personality, social skills, methodical behaviour and specialist knowledge are all enhanced by this. In the context of financial education, participatory competence should increase "the individual's capacity to conduct him- or herself in professional, social and private situations in an appropriate and considered manner, and to assume both social and individual responsibility." (Kultusministerkonferenz 2007, 10) Competence in terms of specialist knowledge, human and social skills can be discussed.

At the level of specialist competence in financial services, the three central factors are money, time and risk. The basic concepts used in describing products and product features (such as the features of a current account at bank or the effective annual rate of interest) make it possible to bring about a basic understanding of core concepts at the specific product level. The approach must enable students to make basic calculations in relation to various products and to make comparisons between them.

At the level of human competence, the core aim is that students can appraise and reflect on their own circumstances, needs and interests and be capable of seeing themselves as actively engaged in defining their relationship with money and financial services. Strategic objectives therefore have to be pursued, enabling a critical evaluation of the financial services on offer against the background of the consumer needs.

At the level of social competence, the issue is the ability to ask questions, to present and represent ones own interests, to participate in the direction of advice sessions, to enter into the arguments and collectively to develop and represent group perspectives and interests.

Fig. 2



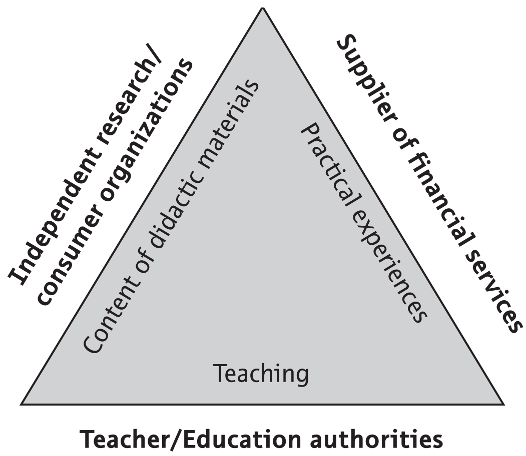
3.5 Mutual Learning

Mutual learning in this context means that the banks learn along with the students. Through the kind of practical experiences provided in SchülerBanking, schoolchildren learn to ask good questions, to analyze the responses critically, to represent their own interests and to engage actively in advice sessions. They also gain confidence and learn to influence the market.

But bankers also learn. A core pedagogical principle is that pupils ask, while bankers only answer. As a result, bank personnel learn at least three important lessons.

First, bankers learn to listen. Rather than simply suggesting "off the shelf" financial products, the bankers learn to listen carefully to the questions of the students and to be responsive to them. Second, the bankers come to better understand the interests and needs of the students. Finally, the bankers learn to speak in a language that is adapted to the nature of those they are advising. Because the student provides feedback, it is readily apparent when the advisor has failed to communicate in a way that school children can understand.

Fig. 3



4. Conclusion

Consumers increasingly have to use financial services in order to manage their lives. The educational system has to provide for the necessary knowledge, skills and social competence. However, unlike financial literacy where a defined set of letters and rules have to be learned, and also quite different to learning methods in which skills like learning to manage tight budgets are taught, consumers need to learn how to use and influence financial services markets in general and the providers of their specific goods and services in particular according to their needs. Using those skills, the consumer can contribute to changing products and provider behaviour in order to have responsible credit, suitable payment services, adequate insurance and investments which fit the purpose of the saving. Consumers also have to learn how to protect themselves against unnecessary or even dangerous use of profit-driven offers. Such education has to be critical, focus on consumer rights and needs, and foster knowledge alongside human and social competences, which all imply methodological competences as well. It is therefore an integral part of consumer protection in general. Together with different banks and foundations, iff has developed two projects for school students to develop such skills by learning how to ask the right questions.

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